

SOUTH CAROLINA HOUSE OF REPRESENTATIVES

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 1997

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 31, 1998

The Honorable David M. Beasley, Governor
and
Members of the South Carolina House of Representatives
South Carolina General Assembly
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Clerk of the South Carolina House of Representatives, solely to assist you in evaluating the performance of the House for the fiscal year ended June 30, 1997, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records; collection and retention or remittance were supported by law; and accounting procedures and internal accounting controls over the reporting of the tested receipt transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was 14 percent of the aggregate amount of all recorded receipts. We found no exceptions as a result of the procedures.
2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records; were bona fide disbursements of the House; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the reporting of the tested disbursement transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was less than one percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.

3. We tested selected recorded payroll disbursements to determine if the tested payroll and fringe benefits were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; and payroll transactions including employee payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements and if accounting procedures and internal accounting controls over the reporting of the tested payroll transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was less than one percent of the aggregate amount of all recorded payroll disbursements. We found no exceptions as a result of the procedures.
4. We tested 100 percent of recorded journal entries, operating transfers, and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; the accounting procedures and internal accounting controls over the reporting of these transactions were adequate to provide proper control over these transactions; and they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the House to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the accounting procedures and internal accounting controls over the tested transactions were adequate to provide proper control over the books of original entry and the general ledger. The items selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the House for the year ended June 30, 1997, and tested selected reconciliations of balances in the House's accounting records to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the House's general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined that necessary adjusting entries were made in the House's accounting records or STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
7. We tested the House's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1997 by performing the applicable tests and procedures listed on the State Auditor's Office's Appropriation Act 1997 work program. We found no exceptions as a result of the procedures.

The Honorable David M. Beasley, Governor
and
Members of the South Carolina House of Representatives
South Carolina General Assembly
July 31, 1998

8. We obtained a copy of the accompanying schedule of expenditures - budget and actual for the year ended June 30, 1997, and notes thereto prepared by the House and agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the House. We checked the schedule and notes for mathematical accuracy. We found no exceptions as a result of the procedures.
9. We obtained copies of all closing packages as of and for the year ended June 30, 1997, prepared by the House and submitted to the State Comptroller General and reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and on the effectiveness of the internal control structure over financial reporting described in paragraph one and procedures one through nine of this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the House's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Thomas L. Wagner, Jr., CPA
State Auditor

SOUTH CAROLINA HOUSE OF REPRESENTATIVES
Schedule of Expenditures -
Budget and Actual - Budgetary General Fund
For the Year Ended June 30, 1997

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Expenditures:			
Personal Services	\$ 4,792,204	\$ 4,585,505	\$ 206,699
Employer Contributions	3,204,532	3,077,169	127,363
<i>Special Items:</i>			
Approved Accounts	1,052,559	461,160	591,399
Mileage	136,700	120,745	15,955
Travel	1,300	1,300	-
Postage	62,500	62,500	-
Mail Service for Columbia	121,669	119,997	1,672
Rental of State-Owned Real Property	53,092	3,325	49,767
Rental of Office Equipment	11,700	-	11,700
Subsistence	721,869	709,280	12,589
Telephone Expense	179,900	161,260	18,640
In-District Compensation	1,489,581	1,468,501	21,080
Legislative/Constituent Support	139,911	103,259	36,652
Flag Account	1,204	171	1,033
Joint Committees	40,648	31,954	8,694
Total Expenditures	<u>\$12,009,369</u>	<u>\$10,906,126</u>	<u>\$1,103,243</u>

The accompanying notes are an integral part of this schedule.

SOUTH CAROLINA HOUSE OF REPRESENTATIVES

Notes to Schedule

June 30, 1997

NOTE 1 - BUDGET POLICY

The South Carolina House of Representatives is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the House. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in 1997 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Board's Division of Budget and Analyses and to the State Comptroller General. No such transfer may exceed 20 percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis for payroll expenditures.

The schedule of expenditures - budget and actual presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency for each fiscal year is reported in a publication of the State Comptroller General's Office titled A Detailed Report of Appropriations and Expenditures.

SOUTH CAROLINA HOUSE OF REPRESENTATIVES

Notes to Schedule
June 30, 1997

NOTE 2 - STATE APPROPRIATIONS

The following is a reconciliation of the 1997 Appropriation Act as originally enacted by the General Assembly to amounts available for the South Carolina House of Representatives' budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1997.

Original Appropriation	\$11,080,939
State Budget and Control Board Allocation for Employee Base Pay Increases and Related Employee Benefits (Proviso 17C.13.)	<u>102,527</u>
Revised Appropriation - Legal Basis	11,183,466
Plus: 1996 Appropriation Brought Forward (Proviso 3.23.)	<u>825,903</u>
Amount Available for 1997 Expenditures	<u>\$12,009,369</u>

Pursuant to Proviso 3.23. of the 1996-1997 Appropriation Act, the House brought forward \$825,903 from fiscal year 1996 to the current year to be expended for the same purposes for which they were appropriated in fiscal year 1996.

Pursuant to Proviso 3.23. of the 1997-98 Appropriation Act, the South Carolina House of Representatives carried forward \$1,103,243 of unspent State General Fund appropriations from the current fiscal year into fiscal year 1998 to be expended for the same purposes.

In addition, Part III of the 1997-98 Appropriation Act appropriated \$125,000 of State General Fund surplus revenues from fiscal year 1996-97 for the House to be used for the 1998 Southern Legislative Conference if the State is selected as the 1998 host state. These funds will be received in fiscal year 1998.